Global Crises, Domestic Stability:  
Interdependence and China's Economic Policies

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Economic interdependence is a double-edged sword for developmental authoritarian regimes. Openness facilitates the economic growth necessary for maintaining popular and elite support. At the same time, changes in global markets -- whether from shifting terms of trade or sudden shocks -- pose risks to authoritarian stability by causing unemployment and undermining elite insiders’ rents. How do authoritarian regimes maintain domestic stability in the face of deep interdependence? To answer this question, I develop a unique, subnationally-disaggregated measure of export dependency for China, based on the location and industrial classification of all Chinese firms, across over 2,000 counties. I combine this with data on changes in US imports of over 600 products following the 2008 financial crisis. Leveraging the crisis as an exogenous shock, I show that declining exports precipitated a geographical reallocation of government investment away from the coast, and a doubling down of investment in state-owned enterprises. This has long-term implications for China’s economic reform and industrial policies. Using data on county-level demographics and the location of state-owned firms, I also show that this reallocation was conditioned by dual authoritarian imperatives of managing unrest by the public and contestation from regime insiders. Finally, I present qualitative evidence from field interviews in four Chinese cities, tracing the evolution of China’s public goods spending as a function of deepening export dependency and global integration. My findings have theoretical implications for understanding authoritarian regimes in the global economy, and practical implications for understanding the international political economy drivers of China’s economic policies.